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44-7507

BROWNFIELD REDEVELOPMENT AUTHORITY

OF THE CITY OF LAPEER, MICHIGAN

INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED JUNE 30, 2004



Layton & Richardson, P.C.
Certified Public Accountants

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

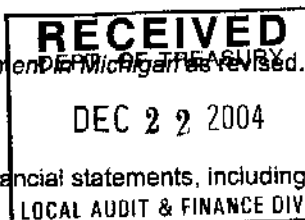
Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name City of Lapeer, Brownfield Redevelopment Authority	County Lapeer
Audit Date 6/30/04	Opinion Date October 18, 2004	Date Accountant Report Submitted to State: December 16, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government* and Michigan Rules.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations



You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>		
Reports on individual federal financial assistance programs (program audits).			<input checked="" type="checkbox"/>
Single Audit Reports (ASLGR).			<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name) Lester & Richardson PC			
Street Address One Bridge Rd.	City East Lansing	State MI	ZIP 48823
Accountant Signature Duke Crouch			

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INDEPENDENT AUDITORS' REPORT

Members of the Brownfield Redevelopment Authority of the City of Lapeer Lapeer, MI

We have audited the accompanying basic financial statements of the governmental activities and the business-type activities of the BROWNFIELD REDEVELOPMENT AUTHORITY OF THE CITY OF LAPEER, MICHIGAN as of and for the year ended June 30, 2004. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basis financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and business-type activities of the Brownfield Redevelopment Authority of the City of Lapeer, Michigan, as of June 30, 2004, and the results of its operations for the year then ended, in conformity with the U.S. generally accepted accounting principles.

As described in Note 2, the Authority adopted the provisions of Governmental Accounting Standards Board Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*; Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis-For State and Local Governments*; Statement No. 36, *Recipient for Certain Shared Nonexchange Revenues*; Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis-for State and Local Governments: Omnibus*; Statement No. 38, *Certain Financial Statement Note Disclosures*; and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, as of July 1, 2003. This results in a change in the format and content of the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2004, on our consideration of the Brownfield Redevelopment Authority of The City of Lapeer, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis listed in the table of contents on pages 3 through 6 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standard Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Layton & Richardson P.C.
Certified Public Accountant

October 18, 2004
East Lansing, Michigan

Management's Discussion and Analysis

Our discussion and analysis of the Brownfield Redevelopment Authority of the City of Lapeer's financial performance provides an overview of the Brownfield Redevelopment Authority's financial activities for the fiscal year ended June 30, 2004. Please read it in conjunction with the Brownfield Redevelopment Authority's financial statements.

FINANCIAL HIGHLIGHTS

- The Reid Corporation Project was approved by the Brownfield Redevelopment Authority on October 26, 2002 in the amount of \$60,150. The 2003 Tax Year was the first year of captured property taxes which may be utilized to reimburse the Reid Corporation, over a maximum of thirty years, for approved expenses in remediation of their environmentally distressed property.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Brownfield Redevelopment Authority as a whole and present a longer-term view of the Brownfield Redevelopment Authority's finances. Fund financial statements provide more detailed information about the Brownfield Redevelopment Authority's funds- not the Brownfield Redevelopment Authority as a whole. These statements tell how these services were financed in the short term as well as what remains for future spending.

Reporting the Brownfield Redevelopment Authority as a Whole

One of the most important questions asked about the Brownfield Redevelopment Authority's finances is, "Is the Brownfield Redevelopment Authority as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Brownfield Redevelopment Authority as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Brownfield Redevelopment Authority's *net assets* and changes in them. You can think of the Brownfield Redevelopment Authority's net assets - the difference between assets and liabilities - as one way to measure the Brownfield Redevelopment Authority's financial health, or *financial position*. Over time, *increases* or *decreases* in the Brownfield Redevelopment Authority's net assets are one indicator of whether its *financial health* is improving or deteriorating.

In the Statement of Net Assets and the Statement of Activities, the Brownfield Redevelopment Authority is shown as a governmental activity while within the City of Lapeer's audit they are shown as a component unit:

- **Governmental activities** – The Brownfield Redevelopment Authority's services are reported here. Property Taxes finance most of these activities.

Reporting the Brownfield Redevelopment Authority's Most Significant Funds

The fund financial statements provide detailed information about the Brownfield Redevelopment Authority's funds. The Brownfield Redevelopment Authority's funds utilize the *governmental* accounting approach.

- *Governmental funds* – Most of the Brownfield Redevelopment Authority's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term* view of the Brownfield Redevelopment Authority's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Brownfield Redevelopment Authority's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* in reconciliation at the bottom of the fund financial statements.

THE BROWNFIELD REDEVELOPMENT AUTHORITY AS A WHOLE

Table 1 was summarized from the Brownfield Redevelopment Authority Statement of Net Assets. This is the first year in which the Brownfield Redevelopment Authority had an approved project in which it could capture property taxes. As a result, the net assets of the Brownfield Redevelopment Authority decreased from \$0 to a deficit of \$601. The following table provides a summary of the current year.

Table 1
Net Assets
(In Hundreds)

	Governmental Activities 2004	Governmental Activities 2003
Current and other assets	\$ 1.0	\$ 0.0
Total assets	1.0	0.0
Other liabilities	7.0	0.0
Total liabilities	7.0	0.0
Net assets:		
Restricted	0.0	0.0
Unrestricted (deficit)	(6.0)	0.0
Total net assets	\$ (6.0)	\$ 0.0

Governmental Activities

As stated previously, the net assets of the Brownfield Redevelopment Authority's governmental activities decreased by \$601. Unrestricted net assets – the part of net assets that can be used to finance day –to –day operations without constraints established by debt covenants, enabling legislation, or other legal requirements-is recorded as a deficit of \$601.51.

Table 2 was summarized from the government-wide Statement of Activities. This table summarizes the government-wide program revenues, other revenues, and expenses of the Brownfield Redevelopment Authority.

Table 2
Changes in Net Assets
(In Hundreds)

	Governmental Activities <u>2004</u>	Governmental Activities <u>2003</u>
Revenues:		
Program revenues:		
Charges for Services	\$ 0.0	\$ 0.0
Operating grants and contributions	0.0	0.0
General revenues:		
Property Taxes	0.5	0.0
Other	<u>0.0</u>	<u>0.0</u>
Total Revenues	<u>0.5</u>	<u>0.0</u>
Expenses:		
General government	\$ <u>0.0</u>	\$ <u>0.0</u>
Total Expenses	<u>0.0</u>	<u>0.0</u>
Increase in net assets		
Before transfers	0.5	0.0
Transfers	<u>(6.5)</u>	<u>0.0</u>
Increase (Decrease) in Net Assets	(6.0)	0.0
Net assets, January 1	<u>0.0</u>	<u>0.0</u>
Net assets, December 31	<u>(6.0)</u>	<u>0.0</u>

Total revenue from all sources totaled \$45 which was all from property taxes. The Brownfield Redevelopment Authority also receives a transfer of captured taxes from the General Fund of the City of Lapeer in the amount of \$58. The Brownfield Redevelopment Authority captured the City of Lapeer millage rate of 8.7911, the county operation millage rate of 3.8941, and the Intermediate School District combined millage rate of 3.0084.

The governmental activities of the Brownfield Redevelopment Authority had an expense of \$705 for a transfer to the City of Lapeer General Fund for reimbursement of advertising fees. Due to utilizing full accrual on the government-wide statements, the expenditures for capital assets including infrastructure are not recorded as expenses in the current year but are capitalized on the Statement of Net Assets and are depreciated over the useful life of the asset. Only the current year depreciation would be included as an expense.

THE BROWNFIELD REDEVELOPMENT AUTHORITY'S FUNDS

The Brownfield Redevelopment Authority received a total of \$103 in captured property taxes. The Brownfield Redevelopment Authority had an expense of \$705 as a transfer to the City of Lapeer General Fund for reimbursement of advertising expenses. This deficit is due to the small increase in captured value for the approved project while incurring required expenses of advertising for a public hearing.

Brownfield Redevelopment Authority Budgetary Highlights

- The Brownfield Redevelopment Authority budget did not change during the fiscal year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Brownfield Redevelopment Authority does not have any capital assets.

There were no major capital asset events during the current fiscal year.

Debt

The Brownfield Redevelopment Authority does not have any outstanding debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Projected captured taxable values as determined by the City Assessor

The Brownfield Redevelopment Authority reviews its current budget to determine available fund balances to be appropriated for the new year budget. This along with the projected captured taxable value from the city assessor provides the basis of establishing the annual budget. Funds are appropriated based upon funds required for administration of the Brownfield Redevelopment Authority and approved expenses to be reimbursed to the project owner.

Requests for Information

This financial report is designed to provide a general overview of the Brownfield Redevelopment Authority's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Lapeer, Director of Financial Services, 576 Liberty Park, Lapeer, MI 48446.

**BROWNFIELD REDEVELOPMENT AUTHORITY OF THE
CITY OF LAPEER, MICHIGAN**

STATEMENT OF NET ASSETS AND GOVERNMENTAL FUNDS BALANCE SHEET

JUNE 30, 2004

	GENERAL FUND	ADJUSTMENTS	STATEMENT OF NET ACTIVITIES
ASSETS			
Cash-checking	\$ <u>103.37</u>	\$ <u> </u>	\$ <u>103.37</u>
LIABILITIES			
Due to other funds	\$ <u>704.88</u>	\$ <u> </u>	\$ <u>704.88</u>
FUND BALANCE	<u>(601.51)</u>	<u> </u>	<u>(601.51)</u>
TOTAL LIABILITIES AND FUND BALANCE	\$ <u>103.37</u>	\$ <u> </u>	\$ <u>103.37</u>

See accompanying notes to financial statements.

**BROWNFIELD REDEVELOPMENT AUTHORITY OF THE
CITY OF LAPEER, MICHIGAN**

**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2004**

	GENERAL FUND	ADJUSTMENTS	STATEMENT OF NET ACTIVITIES
GENERAL REVENUES			
Property taxes	\$ 45.45	\$	\$ 45.45
Transfers - internal activities	<u>(646.96)</u>	<u> </u>	<u>(646.96)</u>
CHANGES IN NET ASSETS	(601.51)		(601.51)
FUND BALANCE/NET ASSETS, JULY 1	<u> </u>	<u> </u>	<u> </u>
FUND BALANCE/NET ASSETS, JUNE 30	<u><u>\$ (601.51)</u></u>	<u><u>\$</u></u>	<u><u>\$ (601.51)</u></u>

See accompanying notes to financial statements.

**BROWNFIELD REDEVELOPMENT AUTHORITY OF THE
CITY OF LAPEER, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

NOTE 1: REPORTING ENTITY

In accordance with the criteria established by the National Council on Governmental Accounting (NCGA) Statement 3, the Brownfield Redevelopment Authority of the City of Lapeer is considered a component unit of the City of Lapeer, Michigan for financial accounting and reporting purposes. These criteria include: the extent of oversight responsibility, selection of governing authority, designation of management, the ability of the City to significantly influence operations, the accountability for fiscal matters including the level of City financing and/or moral and legal responsibility for long-term debt.

The financial statements of the Brownfield Redevelopment Authority are presented as the financial statements of a fund which is an integral part of the financial reporting oversight unit of the City of Lapeer.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Brownfield Redevelopment Authority conform to U.S. generally accepted accounting principles as applicable to governmental units. The summary of the more significant accounting policies are presented to assist the reader in interpreting the financial statements and other data in this report.

A. Government-Wide and Fund Financial Statement

The government-wide financial statement (i.e. the statements of net assets and the statement of changes in net assets) reports information on all of the nonfiduciary activities of the Brownfield Redevelopment Authority of the City of Lapeer. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The statement of activities demonstrates the degree to which the direct expenses of a function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contribution that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

B. Measurement Focus, Basis of Accounting and Financial Statements

The government-wide financial statement is reported using the Brownfield resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The Governmental fund financial statement is reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to liabilities of the current period.

C. Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**BROWNFIELD REDEVELOPMENT AUTHORITY OF THE
CITY OF LAPEER, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS - Concluded

JUNE 30, 2004

NOTE 3: INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2004, are as follows:

FUND	DUE TO	FUND	DUE FROM
General	\$ <u>704.88</u>	Brownfield Redevelopment Authority	\$ <u>704.88</u>

NOTE 4: TRANSFERS IN/OUT

FUND	TRANSFER IN	FUND	TRANSFER OUT
General	\$ <u>646.96</u>	Brownfield Redevelopment Authority	\$ <u>646.96</u>



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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Members of the Brownfield Redevelopment Authority
of the City of Lapeer
Lapeer, Michigan

We have audited the general purpose financial statements of the BROWNFIELD REDEVELOPMENT AUTHORITY OF THE CITY OF LAPEER, MICHIGAN, as of and for the year ended June 30, 2004, and have issued our report thereon dated October 18, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Brownfield Redevelopment Authority of the City of Lapeer's, Michigan general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Brownfield Redevelopment Authority of the City of Lapeer, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

This report is intended for the information of the City Commissioners, management, and State and Federal Agencies. However, this report is a matter of public record and its distribution is not limited.

Certified Public Accountant

East Lansing, Michigan
October 18, 2004



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LETTER OF COMMENTS AND RECOMMENDATIONS

Members of The Brownfield Redevelopment Authority
of the City of Lapeer
Lapeer, Michigan

We have examined the financial statements of the Brownfield Redevelopment Authority of the City of Lapeer, Michigan for the year ended June 30, 2004, and have issued our report thereon dated October 18, 2004. As part of our examination, we made a study and evaluation of the system of internal accounting controls to the extent we considered necessary solely to determine the nature, timing and extent of our auditing procedures. Accordingly, we do not express an opinion on the system of internal accounting control taken as a whole.

The management of the Brownfield Redevelopment Authority of the City of Lapeer, Michigan is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles. Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all weaknesses in the system. However, our examination did disclose the following conditions that we believe result in a risk that errors or irregularities in amounts that would be material in relation to the financial statements of the Brownfield Redevelopment Authority of the City of Lapeer, Michigan may occur and not be detected within a timely period.

Segregation of Duties

Segregation of duties is an arrangement of responsibilities such that the work of one employee serves as a check on the work of others. The least desirable situation is one in which a single employee is responsible for an entire accounting process from the origin of each transaction to the ultimate posting in the general ledger. This situation enhances the likelihood that intentional or unintentional errors will occur and remain undetected.

Because it is often difficult in a small governmental unit to segregate accounting duties, alternative controls should be implemented to compensate for lack of a segregation of duties. Such controls as management supervision are an effective means of improving control and reducing the risk of error without incurring additional cost.

We recommend that the Uniform Budgeting Manual for Local Units of Government In Michigan, issued by the Michigan Department of Treasury, be used to provide appropriate guidelines for the preparation of budgets which comply with legal requirements.

We appreciate the assistance and cooperation extended to us by the Authority's officials and employees during our examination, and we thank them.

This report is intended for the information of the Board of Directors, management and federal, state and local grantor agencies. However, this report is a matter of public record, and its distribution is not limited.

Layton & Richardson, P.C.
Certified Public Accountants

East Lansing, Michigan
October 18, 2004